CITY OF TAKOMA PARK, MARYLAND Takoma Park, Maryland

FINANCIAL STATEMENTS
June 30, 2005

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CITY OF TAKOMA PARK, MARYLAND LIST OF CITY OFFICIALS Year Ended June 30, 2005

MAYOR

KATHRYN PORTER

CITY COUNCIL

JOY AUSTIN-LANE JOY AUSTIN-LANE TERRY SEAMED HEATHER MIZEUR MARC ELRICH BRUCE R. WILLIAMS DOUG BARRY

TERRY SEAMENS

CITY MANAGER

BARBARA B. MATTHEWS

DIRECTOR OF FINANCE

YOVONDA D. BROOKS, CPA

FINANCIAL CONSULTANT

LINDA C. McKENZIE

INDEPENDENT AUDITORS

CLIFTON GUNDERSON LLP

Prepared by the Finance Department

As management of the City of Takoma Park, we offer this overview and analysis of the City's financial activities for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented herein in conjunction with the accompanying transmittal letter and financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Takoma Park exceeded its liabilities at the close of the fiscal year 2005 by \$14,347,477 (net assets). This represents an increase of \$4,610,038 from the prior year. Of the City's total net assets, \$2,582,113 may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets).
- As of June 30, 2005, the City of Takoma Park's governmental funds reported combined ending fund balances of \$5,760,292, an increase of \$2,367,489 from the prior year. Of this amount, \$1,694,742 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the fiscal year, the undesignated fund balance for the General Fund was \$973,902.
- The City of Takoma Park's long-term debt increased by \$4,373,885 during the fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

GASB Statement 34 requires the utilization of dual focus financial reporting. Information is presented on a government-wide basis and on a fund basis.

This discussion and analysis is intended to serve as an introduction to the City of Takoma Park's basic financial statements that were prepared using these reporting requirements. The City of Takoma Park's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements. The government-wide financial statements, which include the Statement of Net Assets and the Statement of Activities, are designed to provide readers with a broad overview of the City of Takoma Park's finances. All City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, public works, recreation, community development, and general government administration. The City currently does not have any business-type activities.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Statement of Net Assets. The Statement of Net Assets presents information on all of the City of Takoma Park's assets and liabilities, with the difference between the two reported as net assets. Net assets are further separated into those amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Takoma Park is improving or deteriorating.

Statement of Activities. The Statement of Activities presents information on how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax revenue and earned but unused vacation leave).

Fund Financial Statements. The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Takoma Park, like other local governments, uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. All of the funds of the City of Takoma Park can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 16 - 18 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Takoma Park's own programs.

The basic fiduciary fund financial statements can be found on pages 22 and 23 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 43 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Takoma Park's budgetary comparisons. Supplemental information can be found on pages 44 - 52 of this report.

THE CITY AS A WHOLE

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Takoma Park, assets exceeded liabilities by \$14,347,477 as of June 30, 2005.

By far the largest portion of the City of Takoma Park's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. This investment totaled \$9,053,902, or 63 percent of the City's net assets as of June 30, 2005. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Unrestricted net assets equaled \$5,293,575. This category represents the net assets of the City not included elsewhere.

The City of Takoma Park's net assets increased by \$4,610,038 during the fiscal year. The following table reflects the City's net assets as of June 30, 2005 compared to June 30, 2004.

Governmental Activities

	2005	2004
Net assets		
Assets		
Current and other assets	\$ 9,406,665	
Capital assets	15,337,084	8,816,556
Total assets	24,743,749	14,949,607
Liabilities		
Current and other liabilities	2,790,461	1,980,242
Long-term liabilities	<u> 7,605,811</u>	3,231,926
Total liabilities	_10,396,272	5,212,168
Net assets		
Invested in capital assets, net of related debt	9,053,902	6,361,971
Unrestricted	5,293,575	3,375,468
Total net assets	<u>\$14,347,477</u>	<u>\$ 9,737,439</u>

Governmental Activities

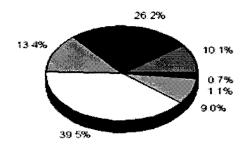
Governmental activities increased the City of Takoma Park's net assets by \$4,610,038 during fiscal year 2005. The key elements of this increase are shown below. Information for the prior fiscal year is provided for comparative purposes.

Governmental Activities

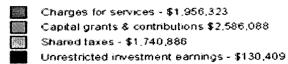
Governmental Activities		
	2005	2004
Change in Net Assets		
Revenues		
Program revenues:		
Charges for services	\$ 1,956,323	
Operating grants and contributions	5,055,228	
Capital grants and contributions	2,586,088	986,403
General revenues:		
Property taxes	7,630,236	
Shared taxes	1,740,886	
Miscellaneous	215,261	133,742
Unrestricted investment earnings	130,409	67,832
Total revenues	19,314,431	16,001,684
Expenses		
General government	2,375,234	
Police	4,520,348	4,374,347
Public works	4,059,898	4,174,364
Housing and community development	917,685	1,214,972
Recreation and culture	1,966,910	2,209,011
Non-departmental	653,907	637,546
Interest on long-term debt	210,411	106,551
Total expenses	14,704,393	15,260,362
Change in net assets	4,610,038	741,322
Net assets, beginning of year	9,737,439	8,996,117
Net assets, end of year	<u>\$14,347,477</u>	<u>\$ 9,737,439</u>

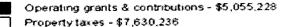
As shown above, the cost of all governmental activities was \$14,704,393. Those who directly benefited from the services (\$1,956,323) paid some activity costs. The City also received operating and capital grants and contributions from other governments and organizations (\$7,641,316), which reduced the amount paid by Takoma Park residents for certain services. The net cost of the City's governmental activities equaled \$5,106,754.

Governmental Activities Revenues



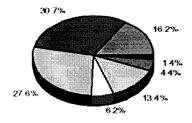
Total - \$19,314,431



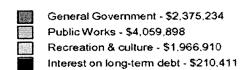


Miscellaneous - \$215,261

Governmental Activities Expenses

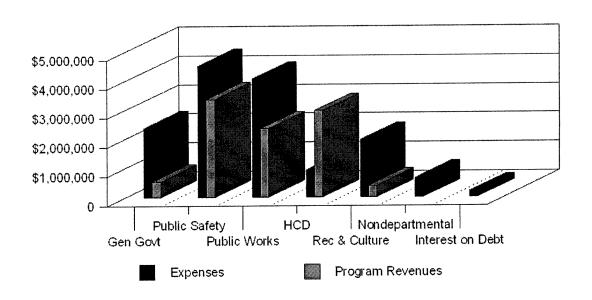


Total - \$14,704,393





Statement of Activities Comparison of Program Revenues vs Expenses



Financial Analysis of the City's Funds

As of June 30, 2005, the City's governmental funds had combined fund balances of \$5,760,292, an increase of \$2,367,489 from the prior year. Approximately 47 percent of this amount is reserved to indicate that it is not available for new spending. The reserved portion of the fund balance totals \$2,711,462.

The General Fund is the chief operating fund of the City of Takoma Park. At the end of the fiscal year, it had a total fund balance of \$4,885,091. Of this amount, \$2,557,101 or about 52 percent is reserved for the following purposes:

•	Equipment replacement	\$ 1,004,254
•	Emergency	323,188
•	Encumbrances	1,229,659

Additional monies (\$1,354,088) are unreserved but designated for the subsequent fiscal year. The undesignated portion of the fund equals \$973,902.

The General Fund balance increased by \$2,195,683 from the prior year, primarily because fund revenues exceeded fund expenditures by \$593,824 and bond proceeds totaling \$2,005,000 were received but not fully expended.

The City's other major fund is the Community Center Fund, which was established to track financial activity related to construction of the facility. The Fund had a fund balance of \$366,485 as of June 30, 2005.

The City's non-major funds had a combined fund balance of \$508,716 as of year-end. This represents an increase of \$376,131 from the prior year. Non-major funds account for such activities as storm water management, rehabilitation loans and grants, and projects funded by grant programs such as the Community Development Block Grant program.

GENERAL FUND BUDGETARY HIGHLIGHTS

On a budgetary basis, actual revenues for the fiscal year exceeded budget by \$871,958. Higher than anticipated revenues from income tax accounted for the majority of the variance. Property taxes and highway user revenues as well as revenues from fines and forfeitures, investment earnings, and charges for services performed better than expected.

Actual expenditures were \$2,238,272 less than the revised budget authorization. The majority of the variance was attributable to lower than anticipated expenditures for recreation and culture, capital outlay, and non-departmental. Recreation and culture costs came in under budget, as the Community Center did not open in fiscal year 2005 as projected. The budgeted amount for capital outlay assumed that the full amount of the approximately \$2 million in street loan proceeds would be expended during the fiscal year. Savings in the non-departmental budget unit was attributable to a variety of factors.

General Government expenditures exceeded the budged amount. Salary and benefit costs comprised the largest share of the overage. Legal costs also exceeded the budgeted amount.

COMMUNITY CENTER FUND BUDGETARY HIGHLIGHTS

In the latter part of the fiscal year, the City received bond proceeds in the amount of \$2,600,000 and amended the Community Center budget accordingly. Recognizing that these proceeds would not be fully expended during the fiscal year, the City did not increase fund expenditures by an equal amount. As a result, the revised budget reflects revenues and other financing sources over expenditures in the approximate amount of \$2 million.

Actual intergovernmental revenues of the Community Center Special Revenue Fund for the fiscal year were less than the budgeted amount by \$1,472,423. The variance was largely attributable to timing in the receipt of certain grant funds, including Program Open Space funds. These grants are designated for the construction of the Community Plaza Level phase of the Community Center project. Construction of this phase did not commence during the fiscal year as anticipated at the time of the budget's adoption.

The adopted budget assumed the sale of certain City-owned property during the fiscal year. The proceeds from the sale were to be transferred from the General Fund to the Community Center Fund. The properties were not sold during the fiscal year, resulting in a transfer variance of \$400,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2005, the City of Takoma Park had \$15,337,084 invested in a broad range of capital assets, including buildings, roads and other infrastructure, vehicles, and equipment. This amount represents a net increase of \$6,520,528 or 74 percent, from the prior year. The vast majority of this increase was attributable to the on-going construction of the new Community Center.

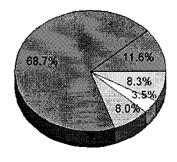
Further information on the City's capital assets is shown below:

Governmental Activities

2004

	2005	2004
Capital Assets (net of depreciation)		
Land	\$ 1,781,269	\$ 1,781,269
Construction in progress	10,536,173	3,596,619
Buildings	1,220,632	1,323,999
Improvements other than buildings	529,599	584,195
Equipment	1,269,411	1,530,474
Total	<u>\$15,337,084</u>	<u>\$ 8,816,556</u>

Capital Assets (Net of Depreciation)



Total - \$15,337,084

Land - \$1,781,269
Construction in Progress - \$10,536,173
Buildings - \$1,220,632
Improvement other than Buildings - \$529,599
Equipment - \$1,269,411

Debt

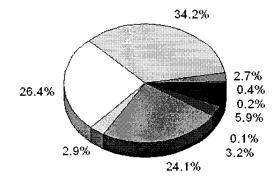
At year-end, the City had \$7,605,811 in outstanding debt, an increase of 135 percent. This amount is comprised of long-term notes and bonds, capital leases, and accrued obligations for compensated absences.

Further information on the City's outstanding debt is shown in the following table. Information for the prior fiscal year is shown for comparative purposes.

Governmental Activities

		2005		2004
Long-Term Liabilities	-			
Long-term note – MICRF	\$	27,260	\$	32,260
Loan payable – Montgomery County		205,000		255,000
Bonds payable – Community Center		2,600,000		-
Bonds payable – Street improvements		2,005,000		-
Bonds payable – Takoma Junction		216,832		236,999
Bonds payable – Community Center		1,833,700		1,907,000
Capital lease payable – Police equipment		243,983		295,227
Capital lease payable – Street sweeper		8,963		15,359
Accrued obligations for compensated absences		446,092		476,484
Net pension obligation		18,981		13,597
Total	<u>\$</u>	7,605,811	<u>\$_</u>	3,231,926

Long-Term Liabilities





ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following are some highlights of the adopted budget for the fiscal year beginning July 1, 2005:

- The tax rate for real property decreased from \$0.66 per \$100 of assessed valuation to \$.63 per \$100.
- Tax duplication payments received from Montgomery County are anticipated to increase by about \$412,000.
- Revenues from other agencies are expected to increase by approximately \$500,000.
- The budgets of the Recreation Department and the Library have been increased to reflect a full year of operation for the new Community Center.
- A full year of debt service for the street improvement loan and the Community Center bond issue, which were incurred during fiscal year 2005, are included.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the monies it receives. If you have any questions about this report or need additional information, please contact the City of Takoma Park Finance Department, 7500 Maple Avenue, Takoma Park, Maryland 20912.



Independent Auditor's Report

The Honorable Mayor and Members of City Council City of Takoma Park, Maryland

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Takoma Park, Maryland as of and for the year then ended June 30, 2005, as listed on the foregoing table of contents, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Takoma Park, Maryland at June 30, 2005, and the respective changes in financial position and the budgetary comparison for the general and community center funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements, but supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental information, such as the combining and individual non-major fund financial statements and schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Takoma Park, Maryland. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated September 27, 2005, on our consideration of the City of Takoma Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Baltimore, Maryland September 26, 2005

Clifton Genderson LLP

BASIC FINANCIAL STATEMENTS

CITY OF TAKOMA PARK, MARYLAND STATEMENT OF NET ASSETS June 30, 2005

	Governmental Activities	
ASSETS		
Cash and cash equivalents	\$ 2,773,156	
Investments	1,297,479	
Accounts receivable, net	557,314	
Notes receivable, net	154,361	
Due from other units of government	4,597,952	
Other assets	26,403	
Capital assets:		
Non-depreciable	12,317,442	
Depreciable, net	3,019,642	
Total assets	24,743,749	
LIABILITIES		
Accounts payable	2,052,230	
Accrued liabilities	466,383	
Deposits and escrows held	60,046	
Due to other governments	98,503	
Deferred revenue	113,299	
Non-current liabilities:		
Due within one year	770,264	
Due in more than one year	6,835,547	
Total liabilities	10,396,272	
NET ASSETS		
Invested in capital assets, net of related debt	9,053,902	
Unrestricted	5,293,575	
TOTAL NET ASSETS	\$ 14,347,477	

CITY OF TAKOMA PARK, MARYLAND STATEMENT OF ACTIVITIES Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities: General government Public safety Public works Housing and community development Recreation and culture Nondepartmental Interest on long-term debt TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,375,234 4,520,348 4,059,898 917,685 1,966,910 653,907 210,411 \$ 14,704,393	\$ 456,113 179,322 764,039 314,486 242,363 - - \$ 1,956,323	\$ 78,920 3,178,932 1,575,127 70,390 151,859 - - \$ 5,055,228	\$	\$ (1,840,201) (1,162,094) (1,720,732) 2,053,279 (1,572,688) (653,907) (210,411) (5,106,754)
	General revenues: Taxes:				
	Shared taxes Miscellaneous Unrestricted inve	levied for general pu stment earnings nues and special item			7,630,236 1,740,886 215,261 130,409 9,716,792
	CHANGE IN NET	Γ ASSETS			4,610,038
	NET ASSETS, BE	EGINNING OF YEA	AR		9,737,439
	NET ASSETS, EN	ND OF YEAR			\$ 14,347,477

CITY OF TAKOMA PARK, MARYLAND BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2005

	General Fund	Community Center Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash, cash equivalents and investment	\$ 3,788,357	\$ -	\$ 282,278	\$ 4,070,635
Receivables, net:	0.1.0 5.05			010 507
Taxes	212,587	-	154 261	212,587
Notes	- 247,796	-	154,361 96,931	154,361 344,727
Other Due from other funds	1,611,203	200,000	79,891	1,891,094
Due from other units of government	864,318	2,775,297	958,337	4,597,952
Other assets	26,403			26,403
TOTAL ASSETS	\$ 6,750,664	\$ 2,975,297	\$1,571,798	\$11,297,759
LIABILITIES				
Accounts payable	\$ 505,508	\$ 1,516,194	\$ 30,528	\$ 2,052,230
Accrued liabilities	416,673	-	-	416,673
Deposits and escrows held	60,046	-	_	60,046
Due to other funds	22,686	1,092,618	775,790	1,891,094
Due to other units of government	, -	, , , <u>-</u>	98,503	98,503
Deferred revenue	720,902	_	158,261	879,163
Compensated absences payable	139,758	_	-	139,758
Total liabilities	1,865,573	2,608,812	1,063,082	5,537,467
EVIND DAT ANCIEC				
FUND BALANCES	2 557 101		154 261	2,711,462
Reserved	2,557,101	-	154,361	2,/11,402
Unreserved:				
Designated for:				1 254 000
Subsequent years' expenditures	1,354,088	-	<u>-</u>	1,354,088
Undesignated	973,902	366,485	354,355	1,694,742
Total fund balances	4,885,091	366,485	508,716	5,760,292
TOTAL LIABILITIES AND				
FUND BALANCES	\$ 6,750,664	\$ 2,975,297	\$1,571,798	\$11,297,759

CITY OF TAKOMA PARK, MARYLAND RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS June 30, 2005

Total fund balances - governmental funds	\$ 5,760,292
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$19,571,597 and the accumulated depreciation is \$4,234,513.	15,337,084
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(7,466,053)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(49,711)
Certain receivables are offset by deferred revenue in the governmental funds since they are not available to pay for current-period expenditures. This is the amount of deferred revenue related to these receivables.	765,865
Total net assets - governmental activities	 14,347,477

CITY OF TAKOMA PARK, MARYLAND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2005

	General Fund	Community Center Fund	Non-Major Funds	Total Governmental Funds
REVENUES				
Taxes and utility fees	\$ 9,826,025	\$ -	\$ -	\$ 9,826,025
Licenses and permits	63,610	-	-	63,610
Fines and forfeitures	179,323	-	-	179,323
Use of money and property	129,794	-	615	130,409
Charges for services	941,925	-	194,272	1,136,197
Intergovernmental	3,731,617	2,586,088	1,323,611	7,641,316
Miscellaneous	215,261	<u> </u>		215,261
Total revenues	15,087,555	2,586,088	1,518,498	19,192,141
EXPENDITURES				
General government	1,872,710	-	117,663	1,990,373
Public safety	4,317,704	-	171,811	4,489,515
Public works	3,298,099	-	597,754	3,895,853
Housing and community development	907,969	-	204,600	1,112,569
Recreation and culture	1,949,465	_	51,984	2,001,449
Nondepartmental	607,466	-	-	607,466
Capital outlay	1,166,388	5,792,109	-	6,958,497
Debt service:				
Principal	205,984	-	-	205,984
Interest	167,946	-	-	167,946
Total expenditures	14,493,731	5,792,109	1,143,812	21,429,652
Excess (deficiency) of revenues				
over expenditures	593,824	(3,206,021)	374,686	(2,237,511)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	2,005,000	2,600,000	-	4,605,000
Transfers in (out)	(403,141)	401,696	1,445	
Total other financing sources	1,601,859	3,001,696	1,445	4,605,000
Excess (deficiency) of revenues and other financing sources over expenditures and				
other financing uses	2,195,683	(204,325)	376,131	2,367,489
FUND BALANCE, BEGINNING OF YEAR	2,689,408	570,810	132,585	3,392,803
FUND BALANCE, END OF YEAR	\$ 4,885,091	\$ 366,485	\$ 508,716	\$ 5,760,292

CITY OF TAKOMA PARK, MARYLAND RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Amounts reported for governmental activities in the Statement of Activities are different because: Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$6,939,554) exceeds depreciation expense (\$411,130) in the period. In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year, vacation earned exceeded the amounts used by \$32,900. Long-term debt repayments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt repayments for 2005. Long-term debt proceeds are another financing source in the governmental funds, but the proceeds increases long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt proceeds for 2005. (4,605,000) Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest. (37,080) Vertical the modified accrual basis of accounting, revenues are not recognized unless they are expensed in the Statement of Activities when occurred Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenditures. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in "unavailable" revenues at the end of the year over the amount at the beg	Total net change in fund balances - governmental funds	\$ 2,367,489
in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$6,939,554) exceeds depreciation expense (\$411,130) in the period. In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year, vacation earned exceeded the amounts used by \$32,900. Long-term debt repayments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt repayments for 2005. Long-term debt proceeds are another financing source in the governmental funds, but the proceeds increases long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt proceeds for 2005. (4,605,000) Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest. (37,080) Net pension obligation is not an expenditure in the governmental funds until paid, whereas they are expensed in the Statement of Activities when occurred Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenditures. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in "unavailable" revenues at the end of the year over the amount at the beginning of the year.		
earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year, vacation earned exceeded the amounts used by \$32,900. Long-term debt repayments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt repayments for 2005. Long-term debt proceeds are another financing source in the governmental funds, but the proceeds increases long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt proceeds for 2005. (4,605,000) Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest. (37,080) Net pension obligation is not an expenditure in the governmental funds until paid, whereas they are expensed in the Statement of Activities when occurred Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "availabile" to finance current expenditures. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in "unavailable" revenues at the end of the year over the amount at the beginning of the year.	in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital	6,528,424
repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt repayments for 2005. Long-term debt proceeds are another financing source in the governmental funds, but the proceeds increases long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt proceeds for 2005. (4,605,000) Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest. (37,080) Net pension obligation is not an expenditure in the governmental funds until paid, whereas they are expensed in the Statement of Activities when occurred (5,384) Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenditures. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in "unavailable" revenues at the end of the year over the amount at the beginning of the year.	earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year).	32,900
but the proceeds increases long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt proceeds for 2005. (4,605,000) Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest. (37,080) Net pension obligation is not an expenditure in the governmental funds until paid, whereas they are expensed in the Statement of Activities when occurred (5,384) Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenditures. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in "unavailable" revenues at the end of the year over the amount at the beginning of the year. 122,705	repayment reduces long-term liabilities in the Statement of Net Assets. This is	205,984
Net pension obligation is not an expenditure in the governmental funds until paid, whereas they are expensed in the Statement of Activities when occurred Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenditures. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in "unavailable" revenues at the end of the year over the amount at the beginning of the year. [37,080]	but the proceeds increases long-term liabilities in the Statement of Net Assets.	(4,605,000)
whereas they are expensed in the Statement of Activities when occurred Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance current expenditures. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in "unavailable" revenues at the end of the year over the amount at the beginning of the year. 122,705		(37,080)
unless they are deemed "available" to finance current expenditures. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in "unavailable" revenues at the end of the year over the amount at the beginning of the year. 122,705		(5,384)
	unless they are deemed "available" to finance current expenditures. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in "unavailable" revenues at the end of the year over	122 705

CITY OF TAKOMA PARK, MARYLAND STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL GENERAL FUND

(NON-GAAP BUDGETARY BASIS) Year Ended June 30, 2005

	Original Budget	Final Budget	Actual Amounts - Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and utility fees	\$ 9,230,984	\$ 9,230,984	\$ 9,826,025	\$ 595,041
Licenses and permits	46,000	46,000	63,610	17,610
Fines and forfeitures	162,500	162,500	179,323	16,823
Use of money and property	123,000	123,000	129,794	6,794
Charges for services	616,500	616,500	941,925	325,425
Intergovernmental	3,927,280	3,927,280	3,731,617	(195,663)
Miscellaneous	109,333	109,333	215,261	105,928
Total revenues	14,215,597	14,215,597	15,087,555	871,958
EXPENDITURES				
Current:				
General government	1,766,449	1,766,449	1,872,710	(106,261)
Public safety	4,430,447	4,430,447	4,317,704	112,743
Public works	3,203,284	3,197,834	3,298,099	(100,265)
Housing and community development	994,607	994,607	907,969	86,638
Recreation and culture	2,189,320	2,189,320	1,949,465	239,855
Non-departmental	1,299,266	1,228,020	607,466	620,554
Capital outlay	564,000	2,612,591	1,166,388	1,446,203
Debt service	312,735	312,735	373,930	(61,195)
Total expenditures	14,760,108	16,732,003	14,493,731	2,238,272
Excess (deficiency) of revenues				
over expenditures	(544,511)	(2,516,406)	593,824	3,110,230
OTHER FINANCING SOURCES (USES)				
Sale of property	400,000	400,000	-	(400,000)
Bond proceeds	-	2,005,000	2,005,000	-
Transfers out	(623,078)	(824,774)	(403,141)	421,633
Total other financing sources (uses)	(223,078)	1,580,226	1,601,859	21,633
APPROPRIATION OF FUND BALANCE	767,589	936,180		(936,180)
TOTAL OTHER FINANCING SOURCES (USES)	544,511	2,516,406	1,601,859	(914,547)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$	\$ 2,195,683	\$ 2,195,683

CITY OF TAKOMA PARK, MARYLAND STATEMENT OF REVENUES AND EXPENDITURES BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL COMMUNITY CENTER Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental - grants and contracts	\$ 4,058,511	\$ 4,058,511	\$ 2,586,088	\$ (1,472,423)
Total revenues	4,058,511	4,058,511	2,586,088	(1,472,423)
EXPENDITURES				
General government	77,732	77,732	71,195	6,537
Construction cost	5,159,733	5,925,487	5,720,914	204,573
Total expenditures	5,237,465	6,003,219	5,792,109	211,110
Excess (deficiency) of revenues over expenditures	(1,178,954)	(1,944,708)	(3,206,021)	(1,261,313)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	578,954	3,178,954	2,600,000	(578,954)
Transfer from General Fund	600,000	801,696	401,696	(400,000)
Total other financing sources (uses)	1,178,954	3,980,650	3,001,696	(978,954)
EXCESS (DEFICIENCY) OR REVENUES				
AND OTHER FINANCING SOURCES OVER				
EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 2,035,942	\$ (204,325)	\$ (2,240,267)

CITY OF TAKOMA PARK, MARYLAND STATEMENT OF FIDUCIARY NET ASSETS June 30, 2005

	Police Pension Trust	Defined Contribution Plan	Total
ASSETS Investments with fiscal agents	\$ 2,849,268	\$ 63,959	\$ 2,913,227
NET ASSETS			
Held in trust for pension benefits	\$ 2,849,268	\$ 63,959	\$ 2,913,227

CITY OF TAKOMA PARK, MARYLAND STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS Year Ended June 30, 2005

	Police Pension Trust	Defined Contribution Plan	Total
ADDITIONS			
Employer contributions	\$ 456,645	\$ 12,350	\$ 468,995
Employee contributions	126,366	-	126,366
Investment gain	195,926	3,573	199,499
Total additions	778,937	15,923	794,860
DEDUCTIONS Benefit payments Administrative expenses Total deductions	276,506 41,222 317,728	- 84 84	276,506 41,306 317,812
CHANGE IN NET ASSETS	461,209	15,839	477,048
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:			
BEGINNING OF YEAR	2,388,059	48,120	2,436,179
END OF YEAR	\$ 2,849,268	\$ 63,959	\$ 2,913,227

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to local governments. A summary of significant accounting policies followed by the City are presented below.

REPORTING ENTITY

The City of Takoma Park, Maryland (the City) was incorporated in 1890 with its legal authority derived from Chapter 310, Section 2 of the Annotated Code of Maryland. The City is to be construed to mean both the City and its inhabitants. Since inception, the City has operated under the Council-Manager form of government. Services provided include refuse, streets and drainage, recreation and parks, police, planning and zoning, community development, and housing services.

For financial reporting purposes, in conformance with accounting principles generally accepted in the United States of America, the reporting entity includes the Mayor and City Council, the primary government and the following fiduciary funds.

City of Takoma Park Police Retirement Plan (Police Pension Trust) City of Takoma Park Employees 401(k) Plan (Defined Contribution Plan)

The City has no component units as defined by generally accepted accounting principles.

Additional information and actuarial reports for the pension plan and additional plan information for the 401(k) plan may be obtained from the City Clerk's office, 7500 Maple Avenue, Takoma Park, Maryland 20912.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Changes in Net Assets report information on all of the non-fiduciary activities of the City. Eliminations have been made to remove the effect of interfund activity from these statements. Governmental activities are those which are supported by taxes and intergovernmental revenues, whereas business type activities are those supported through customer service charges. The City does not have any business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those specifically associated with a program or function. Program revenues include charges for services and grants and contributions restricted to the capital or operational requirements of specific programs or functions. Revenues that are not classified as program revenues, such as taxes, are reported as general revenues.

Separate financial statements are shown for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The accounting and financial reporting is determined by its measurement focus. Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized in the year of levy and grants are recognized when all eligibility requirements are met. For pension trust funds, employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Governmental fund statements are presented using the flow of economic resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of the transaction that can be determined and available means collected within 60 days of the year end. Expenditures are recorded when the related liability is incurred as in the accrual basis of accounting. However, principal and interest on long term debt and expenditures for compensated absences are recorded when the payments are due.

Those revenues susceptible to accrual are property taxes, taxes collected by the state and county on behalf of the City, franchise taxes, revenues from other agencies, interest revenue and charges for services. Fines and forfeitures, licenses, permits, penalties and interest (on property taxes) and other revenues become measurable and available when cash is received by the City and are recognized as revenue at that time.

The City has two major governmental funds, the general fund and Community Center Fund. It is used to account for all activities of the government not accounted for in another fund. The general fund accounts for the normal recurring activities of the City such as police, public works, recreation and parks, general government, etc. These activities are financed primarily by property taxes, other taxes, service charges and grants from other governmental units.

The effect of interfund activity has been eliminated from the government-wide financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash equivalents and investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months at the time of purchase. Cash deposits of the City are made in accordance with the Annotated Code of Maryland (the code), which requires depositories to give security in the form of collateral as provided for in the Code, for the safekeeping of these deposits.

Excess funds are also permitted to be invested either in bonds or other obligations for the payment of principal and interest of which the full faith and credit of the United States of America are pledged, obligations of Federal government agencies issued pursuant to acts of Congress, or in the local government invest pool created by the state of Maryland. The pension Trust Funds are also authorized to invest in corporate bonds and notes, preferred stocks and common stocks. Investments are reported at fair value. Net assets available for benefits used to calculate the unfunded pension obligation in the Pension Trust Funds are also reported at fair value.

Receivables and payables

Property taxes are reported at their estimated collectible value. The following summarizes the property tax calendar:

	Real Property	Personal and Corporate
Assessment roll validated:	Dec. 31	Jan. 1
Tax rate ordinance approved:	June 30	June 30
Beginning of fiscal year for which taxes have been levied:	July 1	July 1
Tax bills rendered and due:	July 1	On County bill
Owner-occupied residential:	July 1 and Jan. 1	July 1 and Jan. 1
Property taxes payable:		
Delinquent	Oct. 1, Feb. 1	After 30 days
Terms	60 days	30 days
Delinquent interest	1%	1%

Information presented is for "full year" levy. "Half year" levy dates are each 6 months later, and relate to new construction in the first six months of the calendar year. A lien is attached to property on the billing date, becomes delinquent October 1 and is sold at tax sale by the end of 18 months.

Allowances for uncollectible accounts are maintained on all types of receivables that historically experience bad debt. Receivables are shown net of such an allowance for uncollectibles. Real property taxes are generally fully collectible.

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (CONTINUED)

Capital assets

Capital assets, which include property, plant and equipment and infrastructure such as roads, storm drains and pipe systems are reported in the governmental fund in the government-wide financial statements. As allowed by GASB #34, the City has not yet included infrastructure assets which were in existence at July 1, 2003. The City will include them within the timeframe allowed by GASB #34. The City defines capital assets as those which have an individual acquisition cost or donated value of at least \$5,000 and an estimated useful life of three years or more. Such assets are valued at historical or estimated historical cost if actual is not available. Donated assets are stated at their donated value at the date of donation. The cost of normal maintenance and repairs that do not add value or extend asset lives are not capitalized.

Expenditures for major assets and improvements are capitalized as the assets are acquired or constructed. Interest on debt during the construction period is capitalized. Exhaustible capital assets are depreciated, which is charged as an expense against their operations. Accumulated depreciation is reported in the statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows

Buildings 20 - 40 years
Improvements other than buildings 25 - 50 years
Equipment 4 - 10 years

Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. In the governmental fund financial statements, the face amount of newly issued debt is reported as other financing sources and the amount of principal repayment is reported as an expenditure.

Compensated absences

Vested or accumulated vacation is accrued when earned by employees and a liability is recorded in the government-wide financial statements. No liability is recorded for nonvesting accumulated rights to receive sick pay benefits as the City does not pay these amounts when employees separate from service.

The City pays all outstanding vacation leave at separation. The accrual is included in "Non-current Liabilities" in the government-wide statements and is \$446,092. A liability for vacation pay is recorded in the governmental fund financial statements only if they are expected to be liquidated with current resources.

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (CONTINUED)

Fund equity

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as invested in capital (net of related debt), restricted and unrestricted.

- Invested in capital assets, net of related debt This category groups all capital assets including infrastructure into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net assets This category presents external restrictions imposed by creditors, grantors or laws and regulations of other governments.
- Unrestricted net assets This category presents the net assets of the City not included elsewhere.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent management's tentative plans for their usage. These plans are subject to change.

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to July 1, the budget is legally enacted through passage of an ordinance.
- 2. The budget ordinance becomes effective July 1 and provides spending authority for the operations of the City government.
- 3. In compliance with the City Charter, an amount (not less than 2% of total budgeted revenue) is included as part of the proposed expenditures as unappropriated reserves. The account is maintained to meet extraordinary or unanticipated expenditures as directed by the Council.
- 4. Subsequent to passage of the budget ordinance, the City Council may approve supplemental expenditures.
- 5. Management may make adjustments to the budget up to \$10,000 without approval of the governing body.
- 6. At the end of the fiscal year, unencumbered appropriations lapse.
- 7. The budget for the General Fund, Community Center Fund and the following funds within the Special Revenue Fund Types: Storm Water Management, Community Development Block Grant, Program Open Space and Other Special Revenue are adopted on a basis consistent with budget estimates. Budgetary control is maintained at the fund level.
- 8. The budget information presented in the accompanying basic financial statements includes all budget ordinances and amendments as approved by the Mayor and City Council for the fiscal year ending June 30, 2005. No annual budget and actual comparisons are presented in the basic financial statements for governmental funds utilizing project based budgets.
- 9. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are reported as reservations of fund balances on the balance sheet since they do not constitute expenditures or liabilities under the GAAP basis of accounting.

NOTE 1 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Reconciliation of Government-wide Statement of Net Assets and Governmental Fund Balance Sheet

The government-wide statements include a reconciliation between *fund balance* – *total governmental funds* and *net asset* – *governmental activities* as reported in the government-wide Statement of Net Assets. One aspect of that reconciliation is long-term liabilities. Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities, both current and long-term are reported in the Statement of Net Assets.

NOTE 2 – CASH AND INVESTMENTS

A. Cash on Hand

At year end, cash on hand for petty cash and change funds was \$1,227.

B. Deposits

At year end, the carrying amount of the City of Takoma Park (the City) deposits was \$310,552, consisting of a cash balance of \$310,552 and the corresponding bank balances were \$388,545. Of the bank balance, \$197,042 was covered by Federal Depository Insurance and \$288,545 was covered by collateral held in the pledging bank's trust department in the City. The City was not exposed to custodial credit risk as of June 30, 2005. The City has a contractual arrangement with the bank for funds to be transferred daily from investment in a repurchase agreement to cover checks as presented.

C. Investments

At June 30, 2005, the City's investment balances by type were as follows:

	Fair Value Investment Maturities (in Y			(ear)			
		L	ess than 1		1 - 5	M	ore than 5
Repurchase agreements	\$ 820,414	\$	820,414	\$	-	\$	-
Maryland State Treasurer's Investment Pool	1,640,963		1,640,963		-		-
Money market mutual funds*	54,284		54,284		-		-
Domestic Equities*	1,826,207		-		-		1,826,207
Corporate Bonds*	1,032,736		-		-		1,032,736
U.S. Government Agency bonds	1,297,479			_	1,297,479		
Total investment	\$ 6,672,083	\$	2,515,661	\$	1,297,479	\$ 2	2 <u>,858,943</u>

^{*} Included in Fiduciary Funds.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

D. Reconciliation of cash and investments as shown on the Statement of Net Assets:

Cash on hand	\$	1,227
Carrying amount of deposits		310,552
Carrying amount of investments		6,672,083
Total cash and investments		6,983,862
Less: amounts in fiduciary funds	_	2,913,227
Total cash and investments per statement of net assets	<u>\$</u>	4,070,635
Cash and cash equivalents	\$	311,779
Investments		3,758,856
Total cash and investments per statement of net assets	<u>\$</u>	4,070,635

Investment rate risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the City's exposure to fair value losses arising from increasing interest rates, the City's investment policy limits the term of investment maturities except in the fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. City's management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original cost for that purpose. The investments at June 30, 2005, met the City's investment policy as of that date.

Investment income includes the following for the year ended June 30, 2005:

Net interest and dividends	\$ 130,409
Total net investment income per Statement of Activities	\$ 130,409

Credit Risk

The City invests in the Maryland Local Investment Pool (MLGIP) which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95 Section 22G of the Annotated Code of Maryland and is rated AAAm by Standard & Poors, its highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. For the City's \$820,414 in repurchase agreements, \$1,640,963 in MLGIP and \$4,210,706 in underlying securities were held by a custodian in the City's name. At June 30, 2005, all of the City's investments were insured or registered, or for which the securities were held by the City or its agent in the City's name or were invested in the MLGIP.

NOTE 3 – PROPERTY TAXES

Taxes are levied as of July 1 and are delinquent after September 30. Property taxes are attached as an enforceable lien on the underlying properties and are sold at public auction in the succeeding June by Montgomery County. Property tax revenues are recognized in the year levied and when they become available, including amounts expected to be collected soon enough after the end of the year to be used to pay liabilities of the current period (estimated by the City as 60 days). At June 30, 2005 taxes receivable, net of an allowance for uncollectibles of \$165,543 amounted to \$212,587.

Real and personal property taxes are levied at rates enacted by the Mayor and Council in the annual budget ordinance on the assessed value of the property as determined by the Maryland State Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings.

The real and personal property tax rate for fiscal year 2005 was \$0.66 per \$100 and \$1.65 per \$100, respectively, of assessed value. The City charges taxpayers interest (at the rate of 2/3 of 1% per month) and penalties (at the rate of 1% per month) on all overdue taxes.

NOTE 4 – NOTES RECEIVABLES, NET

Special revenue funds

Notes receivable recorded in the Special Revenue Funds consist mainly of below market interest rate loans made to City homeowners of low and moderate income through the rehabilitation loan and grant program, for the purpose of conforming their homes to locally adopted codes. These notes are amortized over periods in excess of one year and, therefore, a reservation of fund balance has been provided to reflect the noncurrent nature of these receivables (see Note 10). At June 30, 2005, notes receivable - Special Revenue Funds, net of allowances for uncollectibles of \$27,402, amounted to \$154,361.

NOTE 5 – DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the deferred revenue and unearned revenue reported in the governmental funds were as follows:

NOTE 5 – DEFERRED REVENUES (CONTINUED)

	_ <u>U</u>	navailable	_U	nearned		Total
Income taxes, general fund Property taxes receivable, general fund	\$	419,892 200,156	\$	- -	\$	419,892 200,156
Charges for services, general fund Stormwater receivable, special revenue		70,093 75,723		-		70,093 75,723
Grant funds in excess of expenditures General fund Special revenue		- -	_	30,760 82,539		30,760 82,539
Total	<u>\$</u>	765,8 <u>64</u>	\$	113,299	<u>\$</u>	879,163

NOTE 6 – INTERFUND BALANCES

The balances at June 30, 2005 of individual fund interfund borrowings were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 1,611,203	<u>\$ 22,686</u>
Special revenue funds:		
Rehabilitation loans and grants	-	3,342
Montgomery County – CDBG	4,289	-
Program open space	2,608	-
Other special revenue	-	572,448
Stormwater management	72,994	200,000
Community center	200,000	1,092,618
Total special revenue funds	279,891	1,868,408
Total	<u>\$ 1,891,094</u>	<u>\$ 1,891,094</u>

NOTE 7 – DUE FROM OTHER GOVERNMENTS

The June 30, 2005 General Fund, Community Center and non major funds balance of due from other governments is as follows:

State of Maryland:	
Income tax	\$ 206,689
Income tax reserve	419,892
Highway user tax	94,794
Other	3,278,607
Montgomery County - grants	195,468
Other	402,502
Total	\$ 4,597,952

NOTE 8 – CAPITAL ASSETS AND OTHER PROPERTY

A summary of changes in Capital Assets during fiscal year 2005 follows:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets (not being depreciated) Land Construction in progress	\$ 1,781,269 3,596,619	\$ - 6,939,554	\$ -	\$ 1,781,269 10,536,173
Capital assets (being depreciated) Buildings Improvements other than buildings Equipment	2,974,641 1,149,382 3,317,060 12,818,971	- - - - 6,939,554	186,928 186,928	2,974,641 1,149,382 3,130,132 19,571,597
Less – accumulated depreciation for: Buildings Improvements other than buildings Equipment Total accumulated depreciation	(1,650,642) (565,187) (1,786,586) (4,002,415)	(103,367) (54,596) (253,167) (411,130)	179,032 179,032	(1,754,009) (619,783) (1,860,721) (4,234,513)
Total capital assets	\$ 8,816,556	\$ 6,528,424	\$ (7,896)	\$ 15,337,084

NOTE 9 – NON-CURRENT LIABILITIES

The following is a summary of changes in the City's long-term debt for the year ended June 30, 2005:

2003.	Balance, ne 30, 2004		et Increase Decrease)	Ba	alance June 30, 2005	Due Within One Year		Coupon Interest Rate	Date of Maturity
Notes payable:									
Long-term note – Maryland Industrial and Commercial Redevelopment Fund									
(MICRF)	\$ 32,260	\$	(5,000)	\$	27,260	\$	5,000	0.00%	February 2011
Loan payable – Montgomery	,		() /		ŕ				
County	255,000		(50,000)		205,000		50,000	0.00%	June 2009
Other long-term liabilities:									
Bonds payable	236,999		(20,167)		216,832		20,167	5.98%	September 2007
Bonds payable	1,907,000		(73,300)		1,833,700		76,700	Variable	May 2022
Bonds payable	-		2,005,000		2,005,000		92,000	3.34%	July 2011
Bonds payable	-		2,600,000		2,600,000		308,462	Variable	May 2025
Capital lease payable	295,227		(51,244)		243,983		52,522	4.24%	September 2009
Capital lease payable	15,359		(6,396)		8,963		6,674	4.24%	September 2006
Accrued obligations for									
compensated absences	476,484		(30,392)		446,092		139,758		-
Net pension obligation	 13,597	_	5,384		18,981	_	18,981		-
Total non-current liabilities	\$ 3,231,926	\$	4,373,885	<u>\$</u>	7,605,811	\$	770,264		

NOTE 9 – NON-CURRENT LIABILITIES (CONTINUED)

a. Notes and Bonds

On February 3, 2003, the City and State renegotiated the remaining balance of a MICRF loan. Under the new terms, the loan has a 0.0% interest rate and matures in February 2011. The principal is to be repaid in eight annual installments of \$5,000 and one final payment of \$2,260.

Fiscal Years	Principal
2006	\$ 5,000
2007	5,000
2008	5,000
2009	5,000
2010	5,000
2011	2,260
Total	<u>\$ 27,260</u>

The City entered into a Memorandum of Understanding Agreement with Montgomery County, Maryland during fiscal year 2000 related to certain infrastructure repair work in the area of Pinecrest. Under this agreement, the County made an interest free loan to the City in the amount of \$455,000 to be used for the infrastructure repair work. As repayment to the County, the County will reduce its annual Municipal Tax Duplication payments to the City for a period of nine years beginning in fiscal year 2000.

The reductions will be made as follows:

Fiscal Years	
2006	\$ 50,000
2007	50,000
2008	50,000
2009	55,000
Total	\$ 205,000

In 1995, the City borrowed \$315,000 to purchase property located in Takoma Junction. The City refinanced this loan in 1998 for a three-year term, with a balloon payment at the end of the loan. The City extended this loan in 2001. The 2001 extension provided for an annual payment of \$20,167 with an interest rate of 6.00%. During the fiscal year 2005 the City obtained a two year extension until September 15, 2008. The extension provided for an annual payment of \$20,167 with an interest rate of 6.00%.

NOTE 9 – NON-CURRENT LIABILITIES (CONTINUED)

The annual installments for the repayment of the loan as of June 30, 2005 are as follows:

Fiscal Years	Principal		Interest	_	Total
2006	\$ 20,16	7 \$	-	\$	20,167
2007	20,16	7	12,088		32,255
2008	176,498	<u> </u>	11,592		188,090
Total	<u>\$ 216,832</u>	<u> \$</u>	23,680	\$	240,512

On April 16, 2002, the City participated in a bond issuance with the Maryland Department of Housing and Community Development. The issuance was limited to an aggregate principal balance of \$2,048,700 to be used for the construction of a community center. The principal is to be repaid in variable amounts increasing each year until bond is paid. Principal payment is based on variable interest rate.

The annual installments for the repayment of the bond as of June 30, 2005 are as follows:

Fiscal Years	Principal		<u>Interest</u>		Total
2006	\$ 76,700	\$	78,470	\$	155,170
2007	78,400)	75,976		154,376
2008	81,900)	73,390		155,290
2009	85,300)	70,524		155,824
2010	87,100)	67,368		154,468
2011-2015	502,500)	281,192		783,692
2016-2020	626,000)	161,680		787,680
2021-2025	295,800	<u> </u>	21,460		317,260
Total	\$ 1,833,700	<u>\$</u>	830,060	<u>\$</u>	<u>2,663,760</u>

On July 15, 2004 the City issued bonds. The issuance was limited to an aggregate principal balance of \$2,005,000 to be used for street improvement construction projects. The principal is to be repaid with semi-annual payments of \$154,231 with a 3.34% interest rate.

The annual installments for the repayment of the bond as of June 30, 2005 are as follows:

Fiscal Years	Principal		Interest		<u>Total</u>	
2006	\$	308,462	\$	64,392	\$	372,854
2007		308,462		49,089		357,551
2008		308,462		43,783		352,245
2009		308,462		33,484		341,946
2010		308,462		23,481		331,943
2011-2015		462,690		53,639		516,329
Total	<u>\$</u>	<u>2,005,000</u>	<u>\$</u>	267,868	<u>\$ 2</u>	2 <u>,272,868</u>

NOTE 9 – NON-CURRENT LIABILITIES (CONTINUED)

On May 26, 2005 the City issued bonds. The issuance was limited to an aggregate principal balance of \$2,600,000 to be used for the community center construction project. The principal is to be repaid in variable amounts, increasing each year until bond is paid. Principal payment is based on variable interest rates.

The annual installments for the repayment of the bond as of June 30, 2005 are as follows:

Fiscal Years	Principal		Interest		Total
2006	\$ 92,0	00 \$	110,914	\$	202,914
2007	94,5	00	105,832		200,332
2008	97,5	00	102,100		199,600
2009	100,5	00	98,248		198,748
2010	103,5	00	94,278		197,778
2011-2015	573,5	00	380,366		953,866
2016-2020	691,5	00	274,716		966,216
2021-2025	847,0	00 _	139,469		986,469
Total	\$_2,600,0	<u>00 \$</u>	1,305,923	<u>\$</u> .	3,905,923

b. Capital Lease

The City has entered into two capital lease agreements for the purchase of equipment. The equipment underlying these agreements are police equipment with an original cost of \$380,000 and a street sweeping machine with an original cost of \$19,475. The minimum lease payments are as follows:

Fiscal Year	Police Equipment	Street Sweeper	Total
2006	\$ 62,839	\$ 6,926	\$ 69,765
2007	62,839	2,309	65,148
2008	62,839	-	62,839
2009	62,839	-	62,839
2010	15,712		15,712
Total payments	267,068	9,235	276,303
Interest portion	(23,085)	(272)	(23,357)
Present value of lease payments	<u>\$ 243,983</u>	<u>\$ 8,963</u>	\$ 252,946

NOTE 9 – NON-CURRENT LIABILITIES (CONTINUED)

c. Conduit Debt

From time to time, the City has issued industrial revenue bonds pursuant to the Maryland Economic Development Revenue Bond Act to provide financial assistance to a local hospital. These bonds facilitate certain capital expenditures, construction projects, acquisition of equipment, and refinancing of prior indebtedness of the Washington Adventist Hospital. By promoting increased industry and commerce, retention of existing industry and commerce, and generally promoting the health, welfare, and safety of the residents of the City, the issuance of these bonds is deemed to be in the public interest. Neither the bond principal or interest thereon shall ever constitute an indebtedness or a charge against the general credit or taxing powers of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2005, the aggregate principal amount of the outstanding bonds owed by the hospital was \$27,100,000.

NOTE 10 – FUND BALANCES

The fund balance of the Governmental Funds are reserved for the following:

	General Fund	Special Revenue Funds		
Notes receivable	\$ -	\$ 154,361		
Equipment replacement	1,004,254	-		
Emergency	323,188	-		
Capital expenditures	1,229,659	-		
Total	<u>\$ 2,557,101</u>	<u>\$ 154,361</u>		

The City has reserved \$1,004,254 and \$323,188 at June 30, 2005 for Equipment Replacement and Emergency, respectively, in compliance with the City Charter. The Charter requires a reservation for replacement of major pieces of equipment whose cost is a minimum of 5% of annual General Fund revenues. The Charter also requires a minimum reservation of \$250,000 to cover emergencies, plus a percentage increase each year, equal to the percentage increase in the Consumer Price Index. Amounts are to be used for future equipment replacement and emergencies as deemed necessary by the Mayor and City Council.

In 2005 the City issued bonds in the amount of \$2,005,000 for street improvements. The amount of \$1,229,659 was unspent at June 30, 2005. The balance was reserved for future street improvements.

The fund balance of the Special Revenue Funds is reserved for the noncurrent nature of notes receivable in the amount of \$154,361.

NOTE 11 – RETIREMENT COMMITMENTS

a. Pension Plans

Plan Description

The employees of the City are covered by the following agent multiple-employer pension systems:

- Employees' Retirement System of the State of Maryland
- Pension System for Employees of the State of Maryland

The systems provide pension and death and disability benefits to plan members and beneficiaries. The plan is administered by the State Retirement Agency ("Agency"). Responsibility for the administration and operation of the System is vested in a 14-member Board of Trustees. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Office of Legislative Audits, State Office Building, 301 West Preston Street, Baltimore, Maryland, 21201, or by calling (410) 946-5900.

Funding Policy

The State Personnel and Pensions Article requires active members to contribute to the System at the rate of 2% or 7% of their covered salary depending upon the retirement option selected. The combined State contribution rate for 2001 of 9.31% of covered payroll is established by annual actuarial valuations. The rate is sufficient to fund normal costs and amortize the unfunded actuarial accrued liability over a 40-year period (as provided by law) from July 1, 1980.

Annual Pension Cost

For the year ended June 30, 2005, the City's annual pension cost of \$344,319 was equal to its required and actual contributions. This required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return, compounded annually, (b) projected salary increases of 5% compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.94% to 6.82% per year attributable to seniority and merit, (d) post-retirement benefit increases ranging from 3% to 6% per year depending on the system, (e) rates of mortality, termination of service, disablement and retirement based on actual experience from 1981 to 1996, and (f) the aggregate active member payroll is assumed to increase by 5% annually. The actuarial value of the Systems' assets was determined using techniques that smooth the effects of short term volatility in the market value of investments by using a simplified three-year moving average. The City's unfunded actuarial accrued liability is amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2005 was 16 years.

NOTE 11 – RETIREMENT COMMITMENTS (CONTINUED)

Three-year trend information for The City of Takoma Park Employees Retirement and Pension System:

Fiscal Year Ending	Annual Pension Cost (APC)		Percentage of APC Contributed	Net Pension Obligation		
June 30, 2004	\$	344,319	100%	\$	_	
June 30, 2003		243,810	100%		-	
June 30, 2002		210,772	100%		-	

Required Supplemental Information - Schedule of Fund Progress for the State Retirement and Pension Systems of Maryland.

(expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
June 30, 2004	\$ 33,484,657	\$ 36,325,704	\$ 2,841,047	92.18%	\$ 8,064,481	35.00%
June 30, 2003	32,631,464	34,974,600	2,343,136	93.00	8,134,419	28.81
June 30, 2002	32,323,263	34,131,284	1,808,021	94.70	7,867,794	22.98

The above information is for the system as a whole because it is not made available for individual participants.

b. Police Department Pension Plan

General

This Pension Plan is a single-employer contributory defined benefit pension plan established by City ordinance. The plan is governed by the City of Takoma Park which is responsible for the management of plan assets. The City has delegated the authority to manage plan assets to Mercantile - Safe Deposit & Trust Company.

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that contributions are due.

NOTE 11 – RETIREMENT COMMITMENTS (CONTINUED)

Method Used to Value Investments

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated values.

Plan Membership

As of July 1, 2005, the pension plan's membership consisted of:

Active employees	37
Retirees and beneficiaries currently receiving benefits	7
Terminated employees entitled to benefits but not yet	
receiving them	1
Total	45

Contribution Information and Funding Policy

The plan covers sworn police officers who are employed on a regular full-time basis who are not participants in the defined contribution plan. Provisions of the Plan include retirement, disability and death benefits to plan members and their beneficiaries. Cost of living adjustments are provided at the discretion of the City Council.

Contributions to the Plan made by the City are based on an actuarially determined rate. The police officers contribute to the plan based on 7% of salaries. Member's actual contributions were \$126,366 at June 30, 2005. Administrative costs are financed through investment earnings.

The contribution requirements of the City are established and may be amended by the City Council. The actuarially required contribution rate and the amount paid into the plan for the year ended June 30, 2005 was \$456,645.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 456,645
Interest on NPO	5,384
Annual pension cost	462,029
Contributions made	(456,645)
Increase in net pension obligation	5,384
Net pension obligation, beginning of year	13,597
Net pension obligation, end of year	\$ 18,981

NOTE 11 – RETIREMENT COMMITMENTS (CONTINUED)

The annual required contribution for the current year was determined as part of the first actuarial valuation on July 1, 2001 using the projected unit credit method. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses) and (b) projected salary increases at 5.5% compounded annually per year. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of assets was determined using the market value method. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at June 30, 2001 was 20 years, which is reestablished each year.

Trend Information

Fiscal Year Ending	 nual Pension Cost (APC)	Percentage of APC Contributed	 et Pension Obligation
June 30, 2004	\$ 456,645	98.8%	\$ 5,384
June 30, 2003	398,453	0.0%	-
June 30, 2002	343,348	99.7%	1,007
June 30, 2001	351,219	96.4%	12,590

Required Supplemental Information - Schedule of Fund Progress for the Police Department Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
June 30, 2004	\$ 2,388,059	\$ 8,309,009	\$ 5,920,950	29.0%	\$ 1,876,807	315.0%
June 30, 2003	1,860,531	7,245,960	5,385,429	25.7%	1,856,566	290.1%
June 30, 2002	1,434,950	5,934,249	4,499,299	24.2%	1,923,210	233.9%
June 30, 2001	1,225,888	5,717,108	4,491,220	21.4%	1,857,977	241.7%

c. 457 Deferred Compensation Plan

All employees of the City government may participate in the deferred compensation plan organized under the Internal Revenue Code Section 457, and administered by International City Management Association Retirement Corporation ("ICMA-RC"). Under the terms of the plan, participating employees may have a portion of their salaries withheld, subject to limitations imposed by the Internal Revenue Service, and invested in the plan. All taxes are deferred on these contributions and related earnings until the participant terminates from the plan. The City is in compliance with the Internal Revenue Code Section 457(g) requiring all assets and income of the plan to be held in trust for the exclusive benefit of participants and their beneficiaries. Management's involvement with the plan is limited to transferring amounts withheld from payroll to the Plan Administrator. Management has little administrative involvement with the plan and does not perform the investing function for the plan. Accordingly, the fair value of the plan assets are not reflected in the City's financial statements.

NOTE 11 – RETIREMENT COMMITMENTS (CONTINUED)

d. Defined Contribution

The City of Takoma Park Governmental Money Purchase Plan & Trust is a defined contribution pension plan established to provide benefits to certain employees. At June 30, 2005 there were two plan participants. The City is required to contribute \$5,000 each year and the participants are not required to contribute to the plan. Plan provisions and contribution requirements are established and may be amended by the City of Takoma Park Council. The City's contribution to the plan for the year ended June 30, 2005 was \$12,350.

NOTE 12 – COMMITMENTS AND CONTINGENT LIABILITIES

The City participates in certain federally-assisted grant programs, the principal of which are Community Development Block Grants. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial which has been the case in previous program audits.

NOTE 13 – POST RETIREMENT BENEFITS

The City does not provide and therefore has no liability for post retirement benefits at June 30, 2005.

NOTE 14 – RISK MANAGEMENT

The City's risk financing techniques include participation in a public entity pool and the purchase of commercial insurance.

For property, general, excess and environmental liability coverage, the City became a member of the Maryland Local Government Insurance Trust (LGIT). This trust is a public entity risk pool which is owned and directed by the local governments that subscribe to its coverages and operates under the terms of a Trust Agreement.

The City pays LGIT an annual premium. Claims are processed and recoveries and administrative costs are paid by LGIT. Similar to a commercial insurance carrier, recoveries are subject to deductibles and to annual aggregate/per occurrence dollar limits. No insurance settlement has exceeded the coverage in any of the past three fiscal years.

The City is fully insured for worker's compensation through the Montgomery County Self Insurance Plan. Employees are bonded through commercial insurance carriers to limit the loss to the City in the event of employees committing acts of embezzlement or theft.

SUPPLEMENTAL INFORMATION

CITY OF TAKOMA PARK, MARYLAND GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - FINAL BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES	g-			
Taxes:				
<u>Property</u>				
Real property	\$ 6,814,293	\$ 6,814,293	\$ 6,923,415	\$ 109,122
Business or other property	547,805	547,805	575,799	27,994
Penalty and interest	32,000	32,000	41,668	9,668
Additions and abatements			13,532	13,532
Total property	7,394,098	7,394,098	7,554,414	160,316
Local Taxes				
Admission and amusement	100	100	108	8
	100	100	108	8
Shared Taxes				
Highway	355,786	355,786	530,617	174,831
Income tax	1,481,000	1,481,000	1,740,886	259,886
Total shared taxes	1,836,786	1,836,786	2,271,503	434,717
Total taxes	9,230,984	9,230,984	9,826,025	595,041
Licenses and permits	46,000	46,000	63,610	17,610
Fines and forfeitures	162,500	162,500	179,323	16,823
Use of Money and Property:				
Interest and dividends	120,000	120,000	129,794	9,794
Xerox commissions	3,000	3,000	-	(3,000)
Total use of money and property	123,000	123,000	129,794	6,794
Charges for Services:				
Public parking facility fees	54,000	54,000	46,018	(7,982)
Protective inspection fees	258,500	258,500	307,210	48,710
Waste collection and disposal	85,000	85,000	64,123	(20,877)
Takoma/Langley facility	50,000	50,000	242,363	192,363
Other	169,000	169,000	282,211	113,211
Total charges for services	616,500	616,500	941,925	325,425

CITY OF TAKOMA PARK, MARYLAND GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- FINAL BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES - Continued				
Intergovernmental Revenues:				
Police protection	\$ 2,945,636	\$ 2,945,636	\$ 3,002,111	\$ 56,475
Bank share tax	5,643	5,643	5,643	-
Other county grants	876,001	876,001	623,863	(252,138)
Montgomery County tax	-	-	-	-
Takoma/Langley Recreation Center	100,000	100,000	100,000	
Total intergovernmental revenues	3,927,280	3,927,280	3,731,617	(195,663)
Miscellaneous revenue - other	109,333	109,333	215,261	105,928
Total revenues	14,215,597	14,215,597	15,087,555	871,958
EXPENDITURES				
General Government:				
Mayor and Council	124,025	124,025	109,070	14,955
City administrator	777,858	777,858	831,851	(53,993)
Finance	537,954	537,954	561,144	(23,190)
Law	125,000	125,000	147,865	(22,865)
Systems administration	201,612	201,612	222,780	(21,168)
Total general government	1,766,449	1,766,449	1,872,710	(106,261)
Public Safety:				
Office of the Chief	432,445	432,445	358,640	73,805
Community services	348,645	348,645	286,873	61,772
Patrol	2,419,851	2,419,851	2,679,089	(259,238)
Criminal investigations	573,667	573,667	414,237	159,430
Administration	655,839	655,839	578,865	76,974
Total public safety	4,430,447	4,430,447	4,317,704	112,743
Public Works:				
Administration	274,630	274,630	296,492	(21,862)
Government buildings	501,578	496,128	548,622	(52,494)
Repair shop	411,413	411,413	441,205	(29,792)
Sanitation	733,229	733,229	842,499	(109,270)
Street and urban forrest	1,083,564	1,083,564	1,075,299	8,265
Right-of-way	198,870	198,870	93,982	104,888
Total public works	3,203,284	3,197,834	3,298,099	(100,265)

CITY OF TAKOMA PARK, MARYLAND GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- FINAL BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES - Continued				
Housing and Community Development:				
Administration	\$ 994,607	\$ 994,607	\$ 907,969	\$ 86,638
Recreation and Culture:				
Administration	1,045,394	1,045,394	899,148	146,246
Library and media	1,143,926	1,143,926	1,050,317	93,609
Total recreation and culture	2,189,320	2,189,320	1,949,465	239,855
Nondepartmental (primarily fire service)	1,299,266	1,228,020	607,466	620,554
Capital outlay	564,000	2,612,591	1,166,388	1,446,203
•				
Debt Service:				
Repayments	312,735	312,735	373,930	(61,195)
Total expenditures	14,760,108	16,732,003	14,493,731	2,238,272
Excess (deficiency) of revenues				
over expenditures	(544,511)	(2,516,406)	593,824	3,110,230
OTHER FINANCING SOURCES (USES)				
Sale of property	400,000	400,000	-	(400,000)
Bond proceeds	-	2,005,000	2,005,000	-
Transfers to:				
Special revenue	(23,078)	(23,078)	(1,445)	21,633
Community Center	(600,000)	(801,696)	(401,696)	400,000
Total other financing sources (uses)	(223,078)	1,580,226	1,601,859	21,633
APPROPRIATION OF FUND BALANCE	767,589	936,180	_	(936,180)
ATTROTRIATION OF FUND DALANCE	701,389	750,100		(220,100)
EXCESS OF REVENUES AND OTHER				
FINANCING SOURCES OVER				
EXPENDITURES AND OTHER				
OTHER FINANCING USES	\$ -	\$ -	\$ 2,195,683	\$ 2,195,683
			,,	,,

CITY OF TAKOMA PARK, MARYLAND NON-MAJOR FUNDS COMBINING BALANCE SHEET June 30, 2005

(With Comparative Totals for 2004)

				Montgo	nery County	7							
			 habilitation		nmunity		rogram		Other				
		ormwater	oans and		elopment		Open		Special	Totals			
A COPPER	M:	anagement	 Grants	Bloc	k Grants		Space		Revenue		2005		2004
ASSETS													
Cash and cash equivalents	\$	180,828	\$ 101,450	\$	-	\$	_	\$	-		282,278	\$	341,757
Notes receivable, net		-	154,361		-		=		-		154,361		239,355
Other receivables		96,341	-		-		-		590		96,931		71,344
Due from General Fund		2,818	-		-		-		-		2,818		66,259
Due from other funds		70,176	-		4,289		2,608		-		77,073		257,664
Due from other governments			-				7,195		951,142		958,337		282,326
TOTAL ASSETS	\$	350,163	 255,811	\$	4,289	\$	9,803	_\$	951,732	_\$_	1,571,798	\$	1,258,705
LIABILITIES AND FUND BALANCES													
LIABILITIES													
Accounts payable	\$	8,056	\$ -	\$	-	\$	8,185	\$	14,287	\$	30,528	\$	158,441
Due to General Fund		-	3,034		-		· <u>-</u>		19,868		22,902		104,939
Due to other funds		200,000	308		-		_		552,580		752,888		728,409
Due to other governments		-	98,503		-		-		· -		98,503		13,509
Deferred revenue		75,723	- -		-		-		82,538		158,261		120,822
Total liabilities		283,779	 101,845		-		8,185		669,273		1,063,082		1,126,120
FUND BALANCES													
Reserved for capital expenditures		_	-		_		_		_		_		241,199
Reserved for notes receivable		_	154,361		_		_		_		154,361		239,355
Total reserved			154,361		-				-		154,361		480,554
Unreserved (deficit), undesignated		66,384	 (395)		4,289		1,618		282,459		354,355		(347,969)
Total fund balances		66,384	153,966		4,289		1,618		282,459		508,716		132,585
TOTAL LIABILITIES AND FUND BALANCES	\$	350,163	\$ 255,811	\$	4,289	\$	9,803	\$	951,732	\$	1,571,798	\$	1,258,705

CITY OF TAKOMA PARK, MARYLAND NON-MAJOR FUNDS COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2005

(With Comparative Totals for 2004)

	Stor	rmwater	abilitation pans and	Cor Dev	mery County nmunity elopment		rogram Open		Other Special		Tot	als	
	<u>Man</u>	agement	 Grants	Bloc	k Grants		Space]	Revenue		2005		2004
REVENUES													
Licenses and permits	\$	-	\$ -	\$	-	\$	-	\$	-	\$	-	\$	3,021
Use of money and property - interest income		466	149		-		-		-		615		552
Charges for services		194,121	151		-		-		-		194,272		237,785
Intergovernmental grants and contracts			 		204,600		51,860		1,067,151		1,323,611		1,220,772
Total revenues		194,587	 300		204,600		51,860		1,067,151		1,518,498		1,462,130
EXPENDITURES													
General government		-	85,784		-		-		31,879		117,663		357,271
Public safety		-	-		-		-		171,811		171,811		162,610
Public works		281,228	-		-		-		316,526		597,754		869,954
Housing and community development		-	_		204,600		-		-		204,600		257,000
Recreation and culture		_	_		-		51,984		-		51,984		262,903
Total expenditures		281,228	 85,784		204,600		51,984		520,216		1,143,812		1,909,738
Excess (deficiency) of revenues over													
expenditures before other financing sources (uses)		(86,641)	 (85,484)				(124)		546,935		374,686		(447,608)
OTHER FINANCING SOURCES (USES)													
Transfer to community center		_	-		-		-		-		-		(200,000)
Transfer from General Fund		-	-		127		125		1,193		1,445		340,900
Total other financing sources					127		125		1,193		1,445		140,900
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING													
USES		(86,641)	(85,484)		127		1		548,128		376,131		(306,708)
FUND BALANCES, BEGINNING OF YEAR		153,025	 239,450		4,162	_	1,617		(265,669)		132,585		439,293
FUND BALANCES, END OF YEAR	\$	66,384	\$ 153,966	\$	4,289	\$	1,618	\$	282,459	_\$	508,716	_\$_	132,585

CITY OF TAKOMA PARK, MARYLAND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FINAL BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL MONTGOMERY COUNTY COMMUNITY DEVELOPMENT BLOCK GRANT FUND Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive (Negative)		
REVENUES						
Intergovernmental - grants and contracts	\$ 179,525	\$ 215,125	\$ 204,600	\$ (10,525)		
Total revenues	179,525	215,125	204,600	(10,525)		
EXPENDITURES						
Housing and community development	179,525	215,125	204,600	10,525		
Total expenditures	179,525	215,125	204,600	10,525		
Excess (deficiency) of revenues over expenditures	-	-	-	-		
OTHER FINANCING SOURCES (USES)						
Transfer from General Fund		-	127	127		
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER						
EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	\$ 127	\$ 127		

CITY OF TAKOMA PARK, MARYLAND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FINAL BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL PROGRAM OPEN SPACE Year Ended June 30, 2005

	Original Final Budget Budget		Actual	Variance Positive (Negative)		
REVENUES						
Intergovernmental - grants and contracts	\$ 116,250	\$ 116,250	\$ 51,860	\$ (64,390)		
Total revenues	116,250	116,250	51,860	(64,390)		
EXPENDITURES						
Recreation and culture	132,500	132,500	51,984	80,516		
Total expenditures	132,500	132,500	51,984	80,516		
Excess (deficiency) of revenues over expenditures	(16,250)	(16,250)	(124)	(16,126)		
OTHER FINANCING SOURCES (USES)						
Transfer from General Fund	16,250	16,250	125	16,125		
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER						
EXPENDITURES AND OTHER FINANCING USES	\$	\$	\$ 1	<u>\$ 1</u>		

CITY OF TAKOMA PARK, MARYLAND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FINAL BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL OTHER SPECIAL REVENUE FUNDS Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Intergovernmental - grants and contracts	\$ 723,993	\$ 1,049,430	\$ 1,067,151	\$ 17,721
Total revenues	723,993	1,049,430	1,067,151	17,721
EXPENDITURES				
General government	124,000	124,000	31,879	92,121
Public safety	230,821	322,084	171,811	150,273
Public works	376,000	610,174	316,526	293,648
Total expenditures	730,821	1,056,258	520,216	536,042
Excess (deficiency) of revenues over expenditures	(6,828)	(6,828)	546,935	553,763
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	6,828	6,828	1,193	(5,635)
EXCESS (DEFICIENCY) OR REVENUES AND OTHER FINANCING SOURCES OVER	c	c.	0 549 129	¢ 549.139
EXPENDITURES AND OTHER FINANCING USES	_\$		\$ 548,128	\$ 548,128